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## Frequently Asked Questions for Round 2 BIP Applicants

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## Frequently Asked Questions

### QUESTION

### ANSWER

#### Important Application Changes from the First Round

**What are the application categories?**

For Round 2, applicants will have the opportunity to apply for Last Mile, Middle Mile, Satellite, Technical Assistance and Rural Library Broadband. Additional details on these opportunities are available in the NOFA and in the FAQ's.

**What is considered an eligible service area?**

The proposed funded service area must be at least 75 percent rural. In addition, within the rural portion of the proposed funded service area, at least 50 percent of the premises in the rural area must have no access to broadband service at the rate of 5 Mbps upstream and downstream combined.

**What are the loan and grant award allocations?**

The standard award will be a 75/25 grant/loan combination. Applicants may request more than 75 percent grant by submitting a waiver request to the Administrator. Additional information on the waiver process can be obtained in the NOFA and in the waiver requests section of the FAQs. Applicants requesting a larger loan component, which lowers the requested grant percentage, will receive additional points in the scoring process.

**Can applicants request consideration by both BIP and BTOP?**

No. RUS and NTIA have issued separate NOFA's for Round 2. Applicants must determine to which program to apply. However, should NTIA determine that an application cannot be funded and that it may be consistent with RUS's BIP requirements, NTIA may transfer the application to RUS for consideration under the RUS second review process.

**Will the BIP application process still have two steps?**

No. BIP is requesting that all pertinent information relative to the project be submitted with the application. This will simplify the application process, add valuable time to the application window and review process as well as promote the submission of more solid applications. RUS may ask applicants for additional information before making a final decision.

## Frequently Asked Questions

### QUESTION

### ANSWER

**What is the second review process addressed in the Round 2 NOFA and how does this differ from the Step 2 due diligence process from Round 1?**

The second review process gives RUS the ability to revisit applications that may not be initially approved in Round 2 in order to obligate all BIP funds by the September 30, 2010 deadline should excess funds be available. The process will also be used to consider applications where waivers were requested but denied by the Administrator and those applications that may be transferred by NTIA after their initial reviews are completed. For Round 2, all information must be submitted upfront with the initial application submission.

The step 2 due diligence phase in the Round 1 NOFA was used to validate the information that was submitted in the application.

**Will BIP put a limit on the amount of funds that can be spent per premise passed?**

Yes. To more effectively leverage Recovery Act broadband funds for Last Mile projects, RUS will limit federal assistance to no more than \$10,000 per premise passed unless a waiver is requested and approved.

**Will applicants be required to provide census block information?**

No. RUS has eliminated the census block reporting requirement for Round 2.

**Will RUS reconsider applications if excess funding capacity is available?**

Yes. The Administrator may permit applicants to adjust applications for reconsideration that would otherwise not be funded. The NOFA provides more details on the requirements for reconsideration under the second review process.

**Will the Administrator of RUS be involved in the evaluation process?**

Yes. The Administrator will have the opportunity to exercise discretion in the application evaluation process. The Administrator will have the ability to separately award priority points and larger grant components to applications that provide significant assistance to critical community facilities, promote rural economic development, support persistent poverty counties, serve chronically underserved areas, demonstrate cost effectiveness, offer low-cost service options, and/or provide for geographic diversity.

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Choosing Between BIP and BTOP

#### How do I choose between BIP or BTOP?

In some cases, it is relatively clear where you should apply. In some cases, an application may be eligible under both BIP and BTOP. In those cases, the applicant must choose to apply to only one program. The following guidelines are intended to assist applicants as they decide where to file:

- If your infrastructure application includes service areas that are at least 75 percent rural, is predominantly for Last Mile infrastructure, or provides Last Mile service in the form of satellite service, you must apply to BIP.
- If you are a current RUS borrower or grantee seeking infrastructure funding (Last Mile or Middle Mile), you should apply to BIP.
- If your application is for rural library broadband service, you should apply to BIP.
- If your application is for technical assistance purpose of developing regional broadband development strategies in rural areas, you should apply to BIP.
- If your application is predominantly for Middle Mile infrastructure and you are not a current RUS borrower or grantee, you should apply to BTOP.
- If your application is for Public Computer Centers or Sustainable Broadband Adoption, you should apply to BTOP.

If your application is a Middle Mile project that has “comprehensive communities” components, you should apply to BTOP. These components, in order of priority, include: (1) a commitment to offer new or substantially upgraded service to community anchor institutions; (2) public-private partnerships; (3) intent to bolster growth in economically distressed area; (4) a commitment to serve community colleges that have expressed a demand or indicated a need for access or improved access to broadband service; (5) a commitment to serve public safety entities that have expressed a demand or indicated a need for access or improved access to broadband service; (6) a Last Mile infrastructure component (in rural areas, however, the cost of Last Mile infrastructure to residences and non-community anchor institution businesses may not exceed more than 20 percent of the total eligible project costs).

## Frequently Asked Questions

### QUESTION

### ANSWER

**Why must I choose between BIP and BTOP?**

RUS and NTIA have determined that the best use of limited funding is to have RUS and NTIA focus on funding different aspects of broadband infrastructure. This is necessary to improve the efficiency of both BIP and BTOP and to leverage the core expertise of the agencies. This is also consistent with many comments received by the public recommending that we eliminate joint applications. This provides more flexibility to applicants to choose where to apply based on their unique considerations.

**Can I apply to both BIP and BTOP?**

You may not file the same (or substantially the same) application at both BIP and BTOP.

### How to Apply for Round 2 Last Mile and Middle Mile Funding

**What is the application deadline for Last Mile and Middle Mile applications?**

Last Mile and Middle Mile applications must be submitted no later than 5:00 p.m. ET, March 15, 2010.

**How must applicants submit Last Mile and Middle Mile applications?**

Last Mile and Middle Mile applications **must be submitted electronically** using the online application tool at [www.broadbandusa.gov](http://www.broadbandusa.gov).

**When will the online application system be available?**

The online application system will be made active no later than 8:00 am ET on February 16, 2010.

### General Guidance on Round 2

**Is RUS staff available to discuss the application before submission?**

No. Staff cannot pre-screen or offer consultations during a competitive application process. Any general inquiries should be directed to the BroadbandUSA Helpdesk.

**Where can applicants request general guidance on applying for BIP funding?**

Applicants should direct all questions to the Broadband USA helpdesk at 877-508-8364 or email [BroadbandUSA@usda.gov](mailto:BroadbandUSA@usda.gov). **Note: This contact number and e-mail address have changed from Round 1.**

## Frequently Asked Questions

<b><u>QUESTION</u></b>	<b><u>ANSWER</u></b>
<b>Will applying before the deadline provide any advantage?</b>	No. All applications submitted within the application window will be given equal consideration
<b>What is the Funding Opportunity Number for BIP?</b>	The Funding Opportunity Number for BIP is 0572-ZA01.
<b>What is the CFDA Number and Title for BIP?</b>	The CFDA number for BIP grants, loans, and loan/grant combinations is 10.787. The CFDA title is "Broadband Initiatives Program."
<b>What is the deadline for BIP to award all the funding available in Round 2?</b>	While all funding for the BIP initiative will be finalized by September 30, 2010, RUS intends to finalize all award decisions by September 10, 2010, to ensure that all funds can be obligated by the 30 <sup>th</sup> .
<b>Will the contents of my application be made public?</b>	Applicants are encouraged to identify and label any confidential and proprietary information contained in their applications. The Agency will protect this information from public disclosure to the fullest extent authorized by applicable law. Applicants should be aware, however, that the Recovery Act requires substantial transparency.
<b>Who is a "current RUS borrower or grantee?"</b>	A "current RUS borrower" is an applicant with an active RUS loan. A "current RUS grantee" is an applicant who is currently receiving grant funds from RUS or has not fully expended its most recent award.
<b>Where can we review the terms and conditions that will apply after funding is approved?</b>	At <a href="http://www.broadbandusa.gov">www.broadbandusa.gov</a> there is an information library that includes a draft <i>Loan and Security Agreement</i> and draft Construction and Advance Procedures. These documents will provide details on what to expect when funding is received.

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Eligible Entities

**What types of organizations are not eligible to apply?**

Sole proprietorships and partnerships, including limited liability partnerships, are ineligible to apply for BIP funding. All other types of organizations are eligible to apply and must conform to the eligibility criteria published in the NOFA. If the application is being submitted by multiple organizations, each organization must be an eligible entity and conform to the criteria published in the NOFA.

Each applicant must clearly identify and disclose what type of entity it is.

**What type of documentation is required to prove that an organization is eligible to apply to BIP?**

Applicants should provide their certificate of good standing from the state in which they are incorporated and propose to do business in, per the application.

**Must a for-profit corporation be a socially and economically disadvantaged small business concern (SDB) to be eligible to apply for funding?**

No. Applicants do not have to be an SDB to apply. However, SDB's will receive priority scoring points.

#### Multiple Applications and Multiple Applicants

**Is there a limit to the number of applications one entity can submit?**

No. Applicants can submit multiple applications.

## Frequently Asked Questions

### QUESTION

### ANSWER

**Can multiple organizations apply jointly for a single award?**

Yes. Organizations may file jointly with one entity serving as the lead applicant and others serving as co-applicant. All information required of the lead applicant is also required of any co-applicant (e.g., organizational capacity). Both the lead applicant and the co-applicant(s) must meet the eligibility requirements, and all application information must be provided for the project as a whole (e.g., consolidated budget).

**Can lead applicants partner with other entities for organizational support?**

Applicants can only receive points for organizational support for employees or management that have a formal contract with the applicant. Applicants will not receive credit for partnerships or vendor relationships unless the third parties are under a contract agreement with documentation stating their roles and responsibilities for the project.

**When organizations apply jointly, are there criteria for which organization should serve as the lead applicant?**

The lead applicant must be able to enter into a loan or grant agreement with RUS and be willing to assume financial and operational responsibility for the project. Lead applicants should have experience implementing projects of similar size and scope.

**If an application is submitted by multiple entities, should it be filed with a single DUNS number or a new shared DUNS number?**

The application must include the DUNS number associated with the lead applicant. Additional DUNS numbers are not required for the application process.

### Round 1 Applicants Interested in Round 2

**If my application was denied in Round 1, can we submit a new application for consideration in Round 2?**

Yes. RUS encourages previous applicants to apply in Round 2. Applicants should review the Round 2 NOFA carefully as it differs from the Round 1 NOFA. Applicants will have to start a new application in the online application tool. Applicants cannot transfer data from a Round 1 application. Applicants will also be required to draw a new map and submit the new reference number provided.

## Frequently Asked Questions

### QUESTION

### ANSWER

**Beyond the Round 1 rejection letter, is RUS staff available to discuss the reasons the application wasn't funded?**

The review document enclosed with the letter includes some of the reasons for the rejection. RUS staff cannot offer consultations during a competitive application process.

**If my organization received an award or multiple awards in Round 1, can we apply to subsequent rounds?**

Yes. Round 1 award recipients may apply under a subsequent NOFA as long as the project is not overlapping the project already funded by RUS or NTIA.

**My organization's application was denied in the first round of funding. We received a rejection letter noting key areas of weaknesses in our application. Does this imply that we can receive a Round 2 award as long as we address the key areas mentioned in the rejection letter?**

Not necessarily. The information provided in the letter is meant to flag key areas of weakness to help applicants improve their applications for future funding rounds. However, the letter does not constitute a complete list and does not imply that addressing only those listed would result in a successful application in the future. In addition, the Round 1 NOFA is different than the Round 2 NOFA so, potential applicants should review the new NOFA carefully to determine criteria for award.

**My organization is interested in applying to Round 2; however, notice regarding the application to Round 1 has not been received. Will the Round 1 notice be received before the Round 2 application period is over?**

Round 1 award announcements began in mid-December and will continue on a rolling basis through February 2010. Your organization will receive notice of the outcome of your application in Round 1 prior to the Round 2 application deadline.

## Important Definitions

**What is Broadband?**

Broadband means providing two-way data transmission with advertised speeds of at least 768 kilobits per second (kbps) downstream and at least 200 kbps upstream to end users, or providing sufficient capacity in a Middle Mile project to support the provision of broadband service to end users.

## Frequently Asked Questions

### QUESTION

### ANSWER

**What is meant by High Speed Access?**

High speed access means high speed broadband service to facilitate rural economic development or service at the rate of at least 5 Mbps (upstream and downstream combined).

**What is meant by an Interconnection Point?**

An interconnection point for a Middle Mile application is any location where Last Mile providers, critical community facilities or other networks can physically interconnect with the project, either to exchange traffic or to deliver traffic across the project's network to the Internet backbone.

**What is meant by an RUS Participant?**

An RUS Participant is a current RUS borrower or a current RUS Grantee. A current RUS borrower is an entity that has outstanding loan obligations to RUS and a current grantee is an entity that has grant funds available for advance. This definition to should be used when completing your online application at [www.broadbandusa.gov](http://www.broadbandusa.gov).

**What is the definition of a Rural Area?**

Rural area means any area, which is not located within: 1. A city, town, or incorporated area that has a population of greater than 20,000 inhabitants; or 2. An urbanized area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants.

**What is the definition of an Unserved Area?**

Unserved area means a service area with no access to facilities-based, terrestrial broadband service, either fixed or mobile, at the minimum broadband transmission speed. A premise has access to broadband service if it can readily subscribe to that service upon request.

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Proposed Service Areas and Overlapping Areas

**If the proposed service areas are not contiguous, do applicants have to submit separate applications?**

No. One application may contain multiple proposed funded areas. Each proposed funded service area should be a contiguous geographic area and must independently satisfy the eligibility requirements.

**If my organization's application overlaps with other applicants' proposed funded service area(s), will that result in a quick elimination of one of the applications?**

No. Each application will undergo a full review independent of other applications. The overlap analysis will be conducted once all viable applications have been identified.

**If my organization's application proposes a service area that overlaps with another application's proposed funded service area, how will RUS determine which application to fund?**

The BIP program will not fund multiple applications to provide the same service to the same geographic area, except in cases where the overlap of any proposed funded service area is minimal. Overlap comparison analysis will be conducted on each service area addressed by multiple applications. Where the proposed funded service area(s) of multiple applicants overlap, only the highest-scoring application can receive funding.

**Will RUS fund a BIP application that proposes to serve within an existing RUS Borrower's territory?**

No. The existing service area of RUS Borrowers in which they provide broadband service will not be eligible. These areas can be found at [www.broadbandUSA.gov](http://www.broadbandUSA.gov). In addition, the service areas of awardees under the first round BIP/BTOP NOFA shall also be ineligible for funding.

**What steps will RUS take to confirm the level of service that is available within the proposed funded service area?**

RUS will post a Public Notice of the proposed funded service areas of each Last Mile application and the communities in which the interconnection points terminate for Middle Mile applications for a 30-day comment period. The Public Notice will provide existing providers an opportunity to submit to the agency information regarding their service offerings.

## Frequently Asked Questions

### QUESTION

### ANSWER

**What is an eligible service area?**

The proposed funded service area must be at least 75 percent rural. In addition, within the rural portion of the proposed funded service area, at least 50 percent of the premises in the rural area must have no access to broadband service at the rate of 5 Mbps (upstream and downstream combined). For Middle Mile applicants, at least 75 percent of the inter-connection points must be in rural areas with no more than 50 percent of the premises having high speed access.

**Are any areas of the country, tribal lands, or territories *de facto* unserved?**

No. Such *de facto* areas have not been identified in the NOFA.

**Does advertising of broadband service count as availability for the geographic area in which the advertisement is run?**

Applicants should attempt to determine whether the provider actually offers service within the applicant's proposed service area. The boundaries of the advertising market do not align precisely with the boundaries of the provider's service area and therefore advertising over a large area does not necessarily mean that service is available throughout that entire area.

## Last Mile Infrastructure and Middle Mile

**What does BIP consider a Last Mile project?**

A Last Mile project is a terrestrial infrastructure project that predominantly proposes to provide broadband service to end users or end-user devices and may also include interoffice transport, backhaul, and Internet connectivity in connection with providing such service.

**What does BIP consider a Middle Mile project?**

A Middle Mile project is a broadband infrastructure project that does not predominantly provide broadband service to end users or end-user devices and is used for interoffice transport, backhaul, Internet connectivity, or special access and furthers rural economic development.

## Frequently Asked Questions

### QUESTION

### ANSWER

**How do you determine if the proposed funded service area for a Last Mile project is 75 percent rural?**

This percentage should be determined based on the total square mileage of the service area. The response provided in the application should be confirmed by the information provided in the mapping tool at [www.broadbandusa.gov](http://www.broadbandusa.gov).

**How do you determine if 50 percent or more of the premises passed in a Last Mile project do not have high speed broadband access?**

The exact methodology is up to the applicant, but the result should be able to demonstrate that the proposed funded service area is eligible. Examples of methodologies are customer or market surveys as well as statistical sampling. Applicants should be able to clearly explain how their determination was derived and will be subject to verification by RUS.

**Do you calculate the 50 percent high speed broadband access on the total application or per service area?**

The calculation should be based on the premises passed in each proposed funded service area.

**How do you determine the proposed funded service area for a Middle Mile project?**

The communities where the interconnection points terminate will be the service area for a Middle Mile project.

**How do you determine if 50 percent or more of the premises in a Middle Mile project do not have high speed broadband access?**

This calculation should be based on the premises in the communities in which the interconnection points terminate. For those interconnection points that do not terminate in any recognizable community, the nearest census designated place should be used.

## Frequently Asked Questions

### QUESTION

### ANSWER

**Should an applicant submit separately for Last Mile infrastructure and Middle Mile or include both in one application?**

Both may be included in the same application. In some instances, last mile projects may need to build middle mile infrastructure as part of a last mile deployment. In such instances, applicants are asked to choose which of the service types, last mile or middle mile, their project will predominantly provide. Applications that combine infrastructure will be held to the eligibility and documentation requirements of both last and middle mile infrastructure, and must answer the specific questions related to each.

**Can applicants apply for a broadband project that will provide high capacity bandwidth to critical community facilities?**

Yes, critical community facility projects are eligible. Projects of this nature should be characterized as Middle Mile projects as they create a point-to-point network connecting a relatively small number of facilities. To be eligible for BIP, all Middle Mile critical community facility projects must have at least one point of interconnection located in an area that is at least 75 percent rural. In addition, within the rural portion of the proposed funded service area, at least 50 percent of the premises in the rural area must have no access to broadband service at the rate of 5 Mbps upstream and downstream.

**How do you calculate the cost per premise?**

To calculate the cost per premise passed, the applicant shall divide the total award requested in the application by the total number of premises passed with facilities funded by an award. Please note that this does not apply to Middle Mile applicants.

**Can satellite companies apply for Last Mile funding?**

No, Last Mile funding is for terrestrial infrastructure projects only.

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Engineering Certification Requirement

**What are the engineering certification requirements for BIP infrastructure applications?**

Applicants requesting \$1 million and above must submit a system design, network diagram and project timeline certified by a professional engineer (PE) who is certified in at least one of the states where there is project construction. The PE can be external or in-house. The certification form must state that the proposed broadband system:

- Will work as described.
- Can deliver the proposed services outlined in the application.
- Can meet proposed build-out timeframe based on the resources designated in the application.
- Will be substantially complete in two years and fully complete within three years.

**Does the certification require the engineer to guarantee that the proposed project actually “will be substantially complete in two years and complete within three years?”**

No. This means that it is feasible under reasonably anticipated circumstances for the project to be substantially complete in two years and complete within three years after the date of the award.

#### Davis-Bacon Labor Requirement

**What resource should be used to determine the proper “prevailing wage” figures for a given area in order to comply with the Davis-Bacon Act wage requirements for contractors and sub-contractors?**

All applications and resulting contracts must contain Davis-Bacon labor standards and wage determinations. This requirement extends to contractors and sub-contractors. More information can be found at <http://www.wdol.gov/Index.aspx>

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Financial Statements, Eligible Expenses and Service Requirements

**My organization is a non-profit or government entity and does not use cash flow statements, balance sheets, and income statements. In this case, do these documents need to be submitted?**

The applicant must submit pro-forma financials to allow RUS to evaluate the financial feasibility and sustainability of the proposed project regardless of whether the organization uses them in the course of regular business.

**What type of supporting documentation should be submitted as evidence of our organization's current financial position?**

Applicants should submit the last two years of audited financial statements or the last two years of tax returns. The application's pro-forma financial statements reflect two baseline years of historical financial information which should tie to the historical financial statements. Applicants should provide a reconciliation schedule if the historical financial statements are on a different fiscal year basis than the pro-forma financial statements provided in the application. If an applicant is newly formed or is the consolidated entity of other companies, then the applicant should provide supporting documentation explaining this situation and supporting the current income statement, balance sheet and cash flows.

**Should pro-forma financials reflect the finances of the applicant entities and all of their financial activities, or only that of the resulting project?**

Pro-forma financials should reflect the finances of the applicant, including all of their financial activities. The proposed BIP project should be an incremental overlay to these statements. The applicant's financial assumptions should provide pertinent details behind the preparation of the pro forma financial statements. The standard format of these statements has been provided in the application. The applicant should clearly document the financial assumptions for funding of individual and multiple projects if they submit more than one application.

## Frequently Asked Questions

### QUESTION

### ANSWER

**How should applicants present their pro-forma financial statements if they have submitted multiple projects?**

For existing companies: Provide consolidated pro-forma financial statements that include a baseline financial statement for your existing operations, which start with the prior two years of the company's financial position, for a five year projected period, with an additional set of financial statements that layer each of the operations for the additional applications into the baseline statements. In addition, provide a reconciliation schedule supporting the consolidation of the individual pro-forma financial statements for revenue, capital spending, operating expenses, BIP funding and external funding for the company.

For Start-up operations: Provide consolidated pro-forma financial statements that include the financial statements of the operation included in the application as the baseline financial statements, with an additional set of financial statements that layer each of the operations for the additional applications into the baseline statements. In addition, provide a reconciliation schedule supporting the consolidation of the individual pro-forma financial statements for revenue, capital spending, operating expenses, BIP funding and external funding for the company.

**How should proposed BIP funding be reflected in the applicant's BIP pro-forma financial statements?**

BIP and external funding are critical elements in reviewing BIP applications for eligibility and feasibility. It is important to properly and separately itemize RUS loans or grants from other third-party debt, equity or grants in the cash flow statement, balance sheet and income statement. Common errors that will cause an application to fail review include: executive summary or financial assumptions for funding are not documented or reflected in pro-forma financial statements, proposed funding for the capital budget (project budget) does not support line items on pro-forma cash flows, adequate working capital is not provided for operating expenses and non-eligible BIP capital funding, balance sheet reflects negative cash balances, or pro-forma financial statements do not properly reconcile with each other. An application must support adequate cash funding for both capital and operating expenses, and the applicant may not use restricted cash from the BIP program for any ineligible purpose including working capital or operating expenses.

## Frequently Asked Questions

### **QUESTION**

### **ANSWER**

**How should RUS loans be reflected on pro-forma financial statements?**

RUS loans should be reflected as a source of cash on the pro-forma cash flow separately from other equity, debt or liabilities. The RUS loan should reconcile to project budget and project plan on the pro-forma cash flow indicating when the cash will be used and should match the capital expenditures proposed in the application. The balance sheet should reflect the long and short-term liability provided in the pro-forma cash flow and be separately itemized on the balance sheet. The loan should begin repayment of principal within one (1) year of the first draw and reflect the repayments on a separate line item in the cash flow statement. The balance sheet should reflect the outstanding balance of the long-term debt as repayments are made. Short-term liabilities should be reflected as payments are due in the fiscal year. The repayment period of the RUS loan should be determined by the composite economic life of the assets to be financed. Interest should be calculated based on the outstanding long-term and short-term RUS loan balance in the balance sheet and recorded in the appropriate year as interest expense on the income statement. Interest for BIP funds should be reported separately from other interest expenses incurred by the applicant.

**How should RUS grants be treated on pro-forma financial statements?**

RUS grants should be reflected as a source of cash on the pro-forma cash flow separately from other equity, debt or grants. The RUS grant should reconcile to project budget and project plan on the pro-forma cash flow indicating when the cash will be used and should match the capital expenditures proposed in the application. The balance sheet should reflect the long and short-term liability provided in the pro-forma cash flow and be separately itemized on the balance sheet. Grants for depreciable fixed assets should be taken to income over the useful lives of the assets. The grant funds should be accounted for as deferred revenue in the year of receipt and recognized on a straight-line basis during the estimated useful life of the asset. This traditional grant accounting approach will provide a better matching of amortized revenue from the grant and depreciation expense of the fixed assets funded by the grant. Grant accounting assumptions should be documented in the financial assumptions and reflected on separate line items in the pro-forma financial statements.

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### QUESTION

### ANSWER

**How should BIP assets be treated on pro-forma financial statements?**

Assets funded by BIP funds should be reflected as a use of cash on the pro-forma cash flow separately from other expenditures and match project budget and project plan. Assets should be depreciated over their estimated useful life with depreciation expense flowing through the income statement and accumulated depreciated presented on the balance sheet as a contra-asset. Grants should not be netted against gross assets and should be reported separately in the pro-forma financial statements.

**To what extent can award funds be used to pay for expenditures of application preparation and other pre-application costs?**

RUS will fund reasonable pre-application expenses in an amount not to exceed five (5) percent of the award for expenses incurred after the publication date of this NOFA.

**Are contingency fees reimbursable pre-application expenses?**

No. Costs based solely on a contingent fee basis are not authorized under the applicable OMB Cost Circulars.

**Are BIP grants taxable? If so, can grantee use grant funds to pay the taxes?**

Applicants who are not exempt from taxation should consult with their tax advisors regarding the potential tax consequences of BIP grants. Federal taxes are not an eligible cost under federal grant programs such as BIP. For an example of the analysis that the IRS may apply to BIP grants see: <http://www.irs.gov/pub/irs-drop/n-03-18.pdf>.

**BIP staff can not provide guidance on tax implications to applicants.**

**Are tower leases and indefeasible right of use (IRU) agreements considered capital leases, and thus an allowable expense under BIP or are they considered operating leases, and thus not an allowable expense?**

The cost of leasing facilities required to provide broadband service is an allowable expense if such lease qualifies as a capital lease under Generally Accepted Accounting Principles (GAAP). The applicant is responsible for ensuring compliance with GAAP. If there is a doubt regarding the classification of a particular lease, RUS expects the applicant to provide an explanation justifying the classification of its leasing arrangement as a capital lease.

## Frequently Asked Questions

### QUESTION

### ANSWER

**Is labor an eligible cost?**

Yes. Labor costs are eligible if they are associated with activities related to the construction, deployment, or installation of facilities required to provide broadband service. Labor costs are **not** eligible if they are operating expenses directed to the maintenance of the organization or the facilities.

**Are indirect costs eligible expenses?**

For BIP, indirect costs are generally an ineligible cost.

**Is the cost of installing a cable modem, antenna, or other terminating/ interconnection device at a customer's home or business an eligible cost for a broadband infrastructure project?**

Yes. During the funding period, both the purchase and labor costs for equipment for customer premises are eligible expenses, but only if the equipment is owned by the applicant.

**Are the costs of the audits required by BIP eligible costs?**

No, the cost of an audit is a general and administrative expense and is not considered an approved loan or grant expense.

**Can an applicant use funds to commercialize emerging broadband technologies?**

Consistent with the goals of the Recovery Act, BIP intends to focus on providing immediate access to broadband service. BIP broadband infrastructure projects must intend to provide service to areas that meet the eligibility requirements of the program. BIP funds **cannot** be used for general research.

**How long must a project commit to providing broadband service?**

Projects must provide broadband service as proposed in the application for the composite economic life of the facilities, as approved by RUS, or as provided in the award documents for 100 percent grants, starting from the date of project completion.

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Non-Discrimination and Interconnection

**The nondiscrimination and interconnection requirements in the second NOFA are not identical to the language in the first NOFA. What has changed?**

The nondiscrimination and interconnection requirements have not changed, and the same nondiscrimination and interconnection requirements apply to Round 1 and Round 2 awardees. Any differences in language merely clarify, and do not change, awardee obligations. These clarifications are intended to strengthen and solidify awardee obligations.

Clarifications to awardees nondiscrimination and interconnection requirements in the NOFA include:

- We have clarified that caching includes content delivery networks.
- We have clarified that virtual private networks (VPNs) are included in the types of managed networks that may be offered by awardees without running afoul of the nondiscrimination and interconnection requirements.
- We have clarified that the nondiscrimination and interconnection provisions do not apply to existing network arrangements or to non-awardees using the network.

**What are the clarifications to the nondiscrimination and interconnection requirements?**

We have clarified that the nondiscrimination and interconnection provisions apply only to the awardee, but that the awardee may pass these requirements on to entities deploying or operating the funded infrastructure via contract. For example, an awardee constructing a wireless tower as part of a BTOP or BIP project will be subject to the NOFA's nondiscrimination and interconnection obligations. Even if the awardee contracts out project work, the awardee is solely and fully responsible for ensuring that these obligations are observed for the federally funded project. (The awardee may, at its option, state in a contract with a third party that the third party must comply with the obligations.) In addition, a Last Mile partner who does not receive BTOP/BIP funds but who uses that tower to offer wireless services to retail end users would not be subject to the nondiscrimination and interconnection provisions.

## Frequently Asked Questions

### QUESTION

### ANSWER

**Why are you clarifying the nondiscrimination and interconnection provisions?**

The clarifications are being made to the nondiscrimination and interconnection provisions based on questions and input received from applicants during the first funding round and as part of the Request for Information (RFI) process used to gather input on the second funding round. The intent of these language changes is to provide as much clarity as possible, which will encourage the broadest possible participation in the program.

**What happens if the FCC issues new rules based on its open net neutrality proceeding?**

The second NOFA is identical to the first NOFA in that it requires awardees to comply with the FCC's Internet Policy Statement. Acknowledging that the FCC now has a proceeding open to address network nondiscrimination (Preserving the Open Internet - GN 09-191), the second NOFA requires awardees to comply with any subsequent ruling or statement made on the matter by the FCC, to the extent applicable. It is important to note that this provision does not affect the FCC's jurisdiction over this matter.

## Leasing Surplus Capacity

**May an awardee lease surplus capacity on its network for wireless backhaul?**

Yes. The awardee may lease this capacity to another service provider with the purpose of the lease being the provision of broadband services, and as long as the applicant retains management and maintenance of its network. However, leasing bare towers/dark fiber not connected to any service or network equipment is not allowed.

**If a project includes both activated and "dark" fiber (for later expansion purposes), will all of the fiber be eligible for funding or only that which provides service from the outset?**

RUS intends to encourage cost-effective deployment of broadband infrastructure to unserved and underserved areas. As a result, all of the fiber will be considered an eligible cost. "Dark" fiber for future expansion need only not be "excessive" in its capacity when compared to the facilities that will directly and immediately provide the broadband service.

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Environmental Questionnaire

**Are all applicants required to complete an Environmental Questionnaire (EQ)?**

Yes, all applicants must complete the EQ for their application to be considered complete.

**What is the purpose of the EQ?**

The purpose of the EQ is for BIP to be able to evaluate the potential environmental impacts of the proposed project.

**Does BIP require maps for wireless projects where applicants will only be placing equipment on existing towers and buildings?**

If the applicant is placing/hanging wireless equipment on existing towers, BIP does not require a map for those locations. If new towers are being constructed, BIP will need maps for these locations. If equipment will be located on existing buildings and the equipment is visible, BIP will need a description and location of the buildings. If the buildings are over 50 years old, photographs of the building would be desirable.

**If an applicant is proposing a large fiber route, does BIP need USGS maps for the entire route?**

For proposals involving fiber, BIP will need maps that indicate where the lines are proposed to go. Applicants may utilize the appropriate scaled USGS map that will convey the information to BIP.

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Sale and Lease of Assets

**Why have requirements on the sale and lease of assets changed?**

The second NOFA eliminates the ten-year holding rule on award-funded facilities from the first NOFA. Under the first NOFA, the government could not consent to a lease or sale within the first ten years of the award, unless a request was included with the application. Based on input from the Request for Information (RFI), the second NOFA removes this rule and allows awardees to petition for a waiver authorizing the sale or lease of assets at any time during the life of the award-funded facilities. Moreover, each agency will consider waiver requests according to its respective department's rules on sale and lease, as per OMB regulations.

#### Waiver Requests

**Who is eligible for a waiver to receive grant funds in excess of 75 percent of total project funds requested?**

Applicants must demonstrate their need for additional grant funding based on the following factors: distance from non-rural areas, rural area targeting, density, median household income, and unemployment levels. The NOFA provides more details on the requirements for consideration. The Administrator will make the final determination and may award grants up to 100 percent.

**If a request for a waiver is denied, will the application be rejected?**

If an applicant's request for a waiver is denied, the application may be adjusted by the Agency should an award be offered or the application may be placed in a second review process and the applicant will be given an opportunity to revise its funding request.

## Frequently Asked Questions

### QUESTION

### ANSWER

**May an applicant request more than \$10,000 per premise passed?**

Yes, the applicant would need to request a waiver from the Administrator. The Administrator will consider such requests based on whether the application provides assistance to a significant number of critical community facilities, supports a recognized rural regional development plan, supports public safety projects, enhances broadband service to rural libraries, supports persistent poverty counties or substantially unserved areas, including Indian country.

### Procurement Process

**To what extent is it necessary for an applicant to complete its procurement process before submitting an application?**

RUS recognizes that procurement requirements may prevent an applicant from establishing contracting relationships within the time available for preparation and submission of an application. Applicants facing such restrictions should describe how they will recruit and select contractors so that the project will be completed in an appropriate timeframe for the size and scope of the project.

### Grant Requests on Applications Qualifying for Loans and Grants

**If a project qualifies for a loan/grant combination, may the applicant request only the grant portion if they are willing to commit equity for what would be the loan portion?**

Yes. An applicant may substitute equity for the loan portion of the project and still receive the grant funding. The applicant should keep in mind that the extent of grant funding will still be considered in the scoring process. Applicants should review the NOFA rules carefully to ensure that the application meets the eligibility criteria.

## Frequently Asked Questions

### QUESTION

### ANSWER

#### Compliance Information

**Where can potential applicants find information concerning compliance requirements that will apply to awardees?**

Please see the applicable OMB circulars pertaining to Administrative Regulations, Cost Principles, and Audit Requirements and guidance pertaining to Recovery Act reporting requirements

- [http://www.whitehouse.gov/omb/grants\\_circulars/](http://www.whitehouse.gov/omb/grants_circulars/)
- [http://www.whitehouse.gov/omb/recovery\\_default/](http://www.whitehouse.gov/omb/recovery_default/)

#### Mapping Requirement and Resources

**Are applicants required to use the mapping tool provided at [www.broadbandusa.gov](http://www.broadbandusa.gov)?**

Yes, BIP applicants must use the mapping tool to complete their application. This tool provides a reference number once the map has been submitted. The reference number must be included in the application for it to be deemed complete. Please note that applicants who applied for funding in Round 1 and submitted a map through the mapping tool, will still be required to submit a new map through the tool for this round of funding.

**Are applicants allowed to re-use the map(s) created using the mapping tool during Round 1?**

No. Any maps created before February 16, 2010 will not be accepted for Round 2.

**Is there a national broadband services map recommended to assist in application preparation?**

The Interactive National Broadband Map completion deadline is February 17, 2011. Until then, applicants should rely on existing maps to prepare their application. Applicants should also consult the FCC National Broadband Plan which will be published February 17, 2010.

## Frequently Asked Questions

### QUESTION

### ANSWER

**Can the maps that were drawn by applicants in Round 1 be accessed and viewed?**

No. The service areas that were approved have been included in the approved layer on the map that is provided within the mapping tool.

### Review Process

**What sort of review will each application undergo?**

Each application is submitted to a rigorous review process. Applications are reviewed for completeness and eligibility as well as financial and technical feasibility.

### Satellite Applications

**What is the application deadline for satellite applications and when will the application be available.**

The Agency will publish a Request for Proposals (RFP) for Satellite grants. This RFP will include the funding allocations, application requirements and the dates for submission.

**How must applicants submit satellite applications?**

Satellite applications must be submitted electronically using the online application tool at [www.broadbandusa.gov](http://www.broadbandusa.gov).

**What is considered a satellite project?**

A satellite project means any project to provide broadband service to unserved, rural premises either by funding customer premise equipment, terrestrial equipment and/or discounted broadband service for at least one year.

**Who is eligible to apply for satellite projects?**

To apply for satellite funding, the organization must be a satellite ISP, a reseller of satellite ISP service, a distributor or dealer of satellite ISP service or a consortium of all three of the above.

## Frequently Asked Questions

### QUESTION

### ANSWER

**What is an eligible service area for a satellite project?**

Applicants can propose to serve only unserved rural premises in any of the eight regions listed in Section IX.T of the NOFA. Note that unserved rural premises in proposed funded service areas of awardees under Round 1 and Round 2 shall not be eligible for services from satellite projects.

**Can satellite applicants propose to serve more than one region?**

Yes. Applicants may propose to serve more than one region within an application. The application must be broken out for each region.

**Will more than one application be approved for a region?**

No. Only one application will be approved per region.

**What must an applicant propose to provide to be eligible as a satellite project?**

At a minimum, an application must commit to providing broadband service, customer premise equipment (CPE) to subscribers at no cost and to providing such subscribers at least a 25 percent reduction in the applicant's service rates as of December 31, 2009, for a term of at least one year.

## Technical Assistance Applications

**What is the application deadline for submitting technical assistance applications and when will the application be available.**

The Agency will publish a Request for Proposals (RFP) for Technical Assistance grants. This RFP will include the funding allocations, application requirements and the dates for submission

**How must applicants submit technical assistance applications?**

Technical Assistance applications **must be submitted via paper**. Copies of these applications may be obtained at [www.broadbandusa.gov](http://www.broadbandusa.gov).

## Frequently Asked Questions

### QUESTION

### ANSWER

**Will there be a limit on the amount of grant funds that will be provided for technical assistance applications?**

Yes. Grants for technical assistance will be made in an amount not to exceed \$200,000 per applicant.

### Rural Library Broadband Applications

**What is the application deadline for submitting rural library broadband applications and when will the application be available.**

The Agency will publish a Request for Proposals (RFP) for Rural Library Broadband grants. This RFP will include the funding allocations, application requirements and the dates for submission

**How must applicants submit rural library broadband applications?**

Rural library broadband applications **must be submitted via paper**. Copies of these applications may be obtained at [www.broadbandusa.gov](http://www.broadbandusa.gov).

**What can Rural Library Broadband grant funds be used for?**

Award funds may be used by the Applicant to pay for the costs of the Last Mile connection to the library.